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Message Text

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INFO OCT-01 ARA-16 ISO-00 EB-11 XMB-07 TRSE-00 L-03 RSC-01

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STATE/ARA/ECP:ECOHEN (PHONE)
---------- 104559
O R 051848Z APR 74
FM SECSTATE WASHDC
TO AMEMBASSY BRASILIA IMMEDIATE
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
AMCONSUL PORTO ALEGRE

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FOR AMBASSADOR CRIMMINS

E.O. 11652: N/A
TAGS: BMEP, BEXP, BR
SUBJ: MAJOR PROJECT: RAILCARS FOR BRAZIL

REF: STATE 62539

1. OVER PAST SIX MONTHS NUMEROUS MESSAGES HAVE DESCRIBED THE POTENTIAL FOR U.S. EXPORT OF RAILCARS IN BRAZIL'S EXPORT CORRIDORS PROGRAM. PULLMAN-STANDARD WITH FULL SUPPORT FROM COMMERCE AND STATE HAS BEEN ACTIVELY PURSUING A SHARE IN THE BRAZILIAN RAILCAR MARKET WHICH HAS BEEN ESIMATED AT THREE AND A QUARTER BILLION DOLLARS OVER THE NEXT FEW YEARS. WE BELIEVE PULLMAN IS HIGHLY COMPETITIVE
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NOT ONLY ON PRICE AND QUALITY FACTORS BUT ON DELIVERY

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SCHEDULE AS WELL.

2. PULLMAN HAS PRESENTED BID (ALONG WITH EIGHT OTHER FOREIGN BIDDERS) TO PROVIDE 1,400 RAILCARS WORTH ABOUT DOLS 43 MILLION. AT STAKE, HOWEVER, IS A FAR GREATER EXPORT POTENTIAL. PULLMAN HAS ALREADY DEVELOPED PROPOSAL TO SET UP SEPARATE PRODUCTION FACILITY IN HAMMOND, INDIANA SOLELY TO SUPPLY BRAZILIAN MARKET. IMMEDIATE OBJECTIVE IS TO SUPPLY AT THE EARLIEST FEASIBLE DATE 5,000 OF THE 17,000 RAILCARS ALREADY PLANNED FOR ACQUISITION BY REDE. THIS TRANSACTION IS VALUED AT DOLS 150 MILLION AND IS OVER AND ABOVE DOLS 43 MILLION REQUIREMENT CITED ABOVE. CLEARLY, ONCE SEPARATE PRODUCTION FACILITY FOCUSING ON BRAZILIAN MARKET IS SET UP, PULLMAN CAN ONLY ENHANCE ITS OVERALL COMPETITIVE POSITION IN PURSUING ADDITIONAL SHARES OF MARKET.

3. THE SCALE OF EXPORT OPPORTUNITY IS EVIDENT FROM THE FOREGOING, PARTICULARLY SINCE EXPORTS WOULD BE 100 PERCENT U.S. CONTENT AND ONLY ASSEMBLED LOCALLY. HOWEVER, TIMING IS ALSO AT A CRITICAL POINT. BIDS FOR DOLS 43 MILLION REQUIREMENT WILL BE OPENED APRIL 10. PULLMAN EXECUTIVES ACCOMPANIED BY MAJOR EXPORT PROJECTS DIVISION OFFICER WILL BE IN RIO WEEK OF APRIL 8 FOR ADDITIONAL DISCUSSIONS CONCERNING PENDING TENDERS AS WELL AS OTHER TRANSACTIONS. PULLMAN REPS WILL BE EMPOWERED TO SIGN AGREEMENT FOR SEPARATE U.S. PRODUCTION FACILITY IF BRAZILIANS CAN BE PERSUADED TO DO SO.

4. PRESENCE OF U.S. AMBASSADOR AT SOCIAL FUNCTION APRIL 10 HOSTED BY PULLMAN AGENTS WOULD ADD STRONG OFFICIAL INTEREST AND SUPPORT FOR THIS IMPORTANT PROJECT. FUNCTION COINCIDES WITH DATE OF OPENING OF BIDS AND INCLUDES CABINET - RANK GUESTS. IN VIEW OF UNIQUE SCALE OF COMMERCIAL OPPORTUNITY, THIS PROJECT COULD BECOME THE MAJOR SINGLE EXPORT TRANS-ACTION IN U.S.-BRAZILIAN TRADE. PLEASE ADVISE PER IMMEDIATE REPLY WHETHER AMBASSADOR ABLE TO ATTEND APRIL 10 FUNCTION. RUSH

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